

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-06 ISO-00 PM-03 NSC-05 CIAE-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8829

INFO AMEMBASSY ABU DHABI

AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMCONSUL HONG KONG

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: EFIN, ETRD, IN

SUBJ: REVIVAL OF SMUGGLING IN INDIA

REF: A) NEW DELHI A-374 OF 1974 B) NEW DELHI A-274 OF 1974

SUMMARY: THE GOI ADMITS THAT SMUGGLING IN INDIA HAS INCREASED IN THE LAST FEW MONTHS. A RECENT COURT DECISION PUTS NEW CONSTRAINTS ON THE INDIAN GOVERNMENT'S ABILITY TO ARREST AND PROSECUTE SMUGGLERS. SOME BELIEVE THAT THE GOI MAY RELAX ITS ANTI-SMUGGLING ACTIVITIES IN SUCH STATES AS GUJARAT WHERE SMUGGLERS APPEAR TO BE CONTRIBUTORS TO CONGRESS CAMPAIGN COFFERS. YET SMUGGLING REMAINS AT A LOWER LEVEL THAN BEFORE THE START OF THE GOI CAMPAIGN LAST AUTUMN, AND THE POLICE ARE CONTINUING ACTIVE

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INVESTIGATION OF SMUGGLING ACTIVITIES. END SUMMARY.

1. AS THE DEPARTMENT WILL RECALL FROM OUR A-374 OF 1974, THE INDIAN GOVERNMENT BEGAN A VIGOROUS CAMPAIGN TO DISRUPT THE SMUGGLING TRAFFIC WHICH HAS LONG BEEN A SERIOUS PROBLEM FOR INDIA. THE INDIAN GOVERNMENT NEVER PROMISED THAT IT COULD STOP SMUGGLING ALTOGETHER, BUT FOR A PERIOD OF SEVERAL MONTHS THERE WAS A SHARP DECLINE IN TRAFFIC AND MANY TOP SMUGGLERS WERE ARRESTED UNDER THE AUTHORITY OF THE MAINTENANCE OF INTERNAL SECURITY ACT (MISA). RECENTLY, HOWEVER, THERE HAVE BEEN SIGNS OF A RESURGENCE IN SMUGGLING. GOI MINISTER OF STATE FOR FINANCE P.K. MUKHERJEE ADMITTED IN BOMBAY ON MAY 19, 1975 THAT SMUGGLING TRAFFIC HAS RECENTLY INCREASED, AND HE NOTED THAT THE GOI IS CONTEMPLATING NEW MEASURES TO USE AGAINST TRAFFICKERS.

2. MUKHERJEE OUTLINED THREE MAIN CAUSES FOR RECENT INCREASES IN SMUGGLING: A) THERE ARE HUGE STOCKPILES OF CONTRABAND GOODS IN DUBAI AND HONG KONG WHICH TRADERS MUST DISPOSE OF AS BEST THEY CAN. REFUSAL BY MERCHANTS AND LOCAL BANKS IN THE PERSIAN GULF AND HONG KONG TO EXTEND CREDIT TO SMUGGLING ORGANIZATIONS HAVE FORCED SMUGGLERS TO REDUCE THEIR INVENTORIES BY SELLING STOCKS IN INDIA AT THROW-AWAY PRICES. B) SMUGGLERS ARE NOW INTRODUCING CONTRABAND GOODS SUCH AS SYNTHETIC FIBERS IN SMALL CONSIGNMENTS CARRIED BY AIR PASSENGERS. EVEN WITH CONFISCATION OF SOME OF THE GOODS BY INDIAN CUSTOMS, THE PROFITABILITY OF SUCCESSFULLY SMUGGLING GOODS BY AIR IS HIGH. C) THE GOI, SO FAR, HAS CONCENTRATED ONLY ON THE TOP SMUGGLERS AND NOT THE MIDDLE-LEVEL MEMBERS OF THE ORGANIZATION. CONSEQUENTLY, PIPELINES NEVER WERE REALLY CLOSED.

3. POLICE ACTIVITY AGAINST SMUGGLING HAS NOT BEEN RELAXED. MUKHERJEE SAID THAT DETENTION ORDERS ISSUED BY THE GOI HAVE FORCED MANY SMUGGLERS UNDERGROUND. THE AVERAGE NUMBER OF RAIDS PER MONTH BY GOI CUSTOM OFFICIALS INCREASED FROM 2,000 DURING IFY 1973-74 TO OVER 3,000 DURING IFY 1974-75, AND RAIDS AGAINST INCOME TAX EVADERS WERE UP FROM A MONTHLY AVERAGE OF 600 DURING APRIL-SEPTEMBER 1974 TO 1,400 DURING THE PERIOD OF SEPTEMBER 1974 - MAY 1975. THE GOI IS PLANNING TO SET UP A COMPREHENSIVE INCOME TAX INVESTIGATION UNIT IN ORDER TO HELP CATCH SMUGGLERS WITH LARGE UNREPORTED INCOMES.

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4. THE GOI HAS BEEN PUT UNDER TIGHTER LEGAL CONSTRAINTS IN ITS ANTI-SMUGGLING CAMPAIGN. THE DELHI HIGH COURT RECENTLY ORDERED THE RELEASE ON TECHNICAL GROUNDS OF FIVE PROMINENT SMUGGLERS WHO WERE ARRESTED UNDER MISA LAST OCTOBER. MUKHERJEE STRONGLY DISAGREED WITH THE COURT ACTION, AND POINTED OUT THAT THESE SAME GROUNDS FOR DETENTION WERE FOUND JUSTIFIABLE BY THE MADRAS AND BOMBAY HIGH COURTS. THE GOI'S DISCOMFITURE IS ALL THE MORE ACUTE BECAUSE THE DELHI HIGH COURT RULED THAT THE

BASIS BY WHICH THE SMUGGLERS WERE ARRESTED UNDER MISA WAS UNACCEPTABLY VAGUE. THE INDIAN SUPREME COURT HAS LAID DOWN STRINGENT RULES FOR GROUND OF DETENTION UNDER MISA, AND THE HIGH COURT'S DECISION MAY REDUCE THE ABILITY OF THE GOVERNMENT TO USE THE EXTRAORDINARY POWERS OF MISA IN THE FUTURE. THE INDIAN GOVERNMENT IS NOW PREPARING A NEW LAW AGAINST SMUGGLING WHICH IT HOPES WILL PLUG LOOPHOLES IN EXISTING ORDINANCES.

5. THE GOI IS VULNERABLE TO THE CHARGE OF CONNIVING WITH SMUGGLERS AT CERTAIN TIMES FOR POLITICAL REASONS. WITH THE APPROACH OF THE GUJARAT ELECTIONS, SMUGGLERS SEEM TO BE AGAIN ENJOYING MORE FREEDOM OF ACTIVITY. CONTRIBUTIONS BY LEADING SMUGGLERS TO THE CONGRESS PARTY ELECTION COFFERS ARE ALLEGED TO BE MORE THAN AMPLE, AS THEY HAVE REPORTEDLY BEEN IN THE PAST. IT MAY BE MORE THAN COINCIDENCE THAT THE RELEASE OF SOME OF THE BETTER KNOWN SMUGGLERS IS TAKING PLACE JUST BEFORE THE GUJARAT ELECTION.

6. NONETHELESS, THE GOI'S ANTI-SMUGGLING EFFORTS ARE STILL HAVING SOME EFFECT. ACCORDING TO MUKHERJEE, THE IMPORT OF ILLEGAL GOODS INTO INDIA IS STILL SIGNIFICANTLY LOWER THAN LAST YEAR. AS PROOF OF GOI SUCCESSES, HE CITED A LARGE INCREASE IN LEGAL REMITTANCES BY INDIANS IN THE MIDDLE EAST AND SOUTH EAST ASIA, A DECLINED QUANTITY OF SMUGGLED GOODS RECOVERED IN RAIDS, AND LESS DISPLAY OF CONTRABAND GOODS IN INDIAN MARKETS.

7. THIS TELEGRAM IS LARGELY BASED UPON MATERIAL SUPPLIED BY CONSULATE GENERAL BOMBAY.
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